(800) 473-6757

Call our **MOSTARS Information Center** to speak with trained staff members about any article published in this newsletter, as well as to obtain free information about the state and federal student financial assistance programs.

(573) 751-3940

February 1999

MO STARS

...providing postsecondary assistance to Missouri families

Missouri Student Assistance Resource Services

MOSTARS is a division of the Missouri Department of Higher Education

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Q&A

Beth Ziehmer
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USER ID: eulinger

This portion of the ***MOSTARS*** newsletter includes questions and answers regarding various topics brought to our attention by MOSTARS clients.

If you happen to see one of your questions published, you should give yourself a pat on the back for asking a question that may benefit other clients.

In addition, if you think there is a need for a published clarification on a particular topic, please feel free to contact the **MOSTARS Information Center at (800) 473-6757 or (573) 751-3940** to discuss the topic. We may include the question in future issues of ***MOSTARS***. ★

Does a borrower have to be a Missouri resident in order to borrow a loan through the Missouri Student Loan Program?

Prior to June 1994, state statute required the MSLP to guarantee loans solely to Missouri residents or to borrowers attending an eligible Missouri institution. On June 28, 1994, Governor Mel Carnahan signed Senate Bill 583 into law, which expanded the provision to include out-of-state borrowers attending eligible out-of-state institutions.

What should the school do when a borrower did not authorize the transfer of funds via Electronic Funds Transfer (EFT) on the loan application?

There are two options for schools receiving the funds by EFT:

1. If the school wishes to credit the student's account, the student borrower would need to complete an EFT Authorization Form. A sample authorization form is located on page 61 of the MSLP's Loan Application Policies and Procedures Manual. For a copy of this form, you may also contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.
2. The school could receive the funds for the borrower by EFT, but would have to release the proceeds to the borrower by issuing a written check.

NOTE: The Master Promissory Note that can be utilized for loan periods starting on or after July 1, 1999 includes language that allows the borrower to automatically authorize EFT by signing the note.

When a school does not receive the loan funds before the student drops below at least half-time attendance, how does the school determine the outstanding educational costs in order to process a late disbursement?

Although the school no longer has to submit the Late Disbursement Affidavit to the lender or guaranty agency, the school could still utilize that form to document the oustanding costs. The actual tuition and fees remaining will be calculated by the school. However, the school would need to either collect documentation from the borrower for other expenses, such as rent, utilities, etc. OR the school may develop a policy that would apply in all cases (see the *Federal Student Financial Aid Handbook,* Chapter 3, page 6).

Sources: August 1998 ***FFELPfacts***
September 1997 ***FFELPfacts***

A student drops below less-than-half-time attendance before receiving the second of four scheduled disbursements. Can the second disbursement be released to the borrower as a late disbursement?

No. The student who does not successfully complete the loan period cannot receive a second or subsequent disbursement in any instance.

A student's loan was not guaranteed before the end of the loan period. Can that loan be disbursed?

In order to guarantee a loan after the end of the loan period, the following conditions must be met:

1. The school must have obtained a valid Student Aid Report (SAR) or Institutional Student Information Record (ISIR) before the end of the loan period.
2. The school must have certified the loan before the end of the loan period.

Is the maximum credit amount for the Lifetime Learning Credit prorated for 1998 since the tax credit did not take effect until July 1, 1998?

No, the Lifetime Learning Credit maximum per family remains $1,000. The Lifetime Learning Credit calculation is 20 percent of the first $5,000 of educational expenses for eligible students, up to a maximum of $1,000 per family.

If a student who advances from a sophomore in the spring semester to a junior in the fall semester, can the student or the parent claim both the HOPE Scholarship and the Lifetime Learning Credit for the same tax year?

No, the same tax incentives cannot be claimed for the same student for the same tax year. However, if the student is a sophomore on January 1 of the taxable year, the taxpayer may claim the Hope Credit for the entire year, including the semester when the student is a junior.

The bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending 12/31/98 is **4.40 percent**.

For Your Convenience

An information box indicating subject matter accompanies each article in this newsletter. This box also contains an identifiable icon, the name of the article's contact person (where applicable), his or her phone number, and e-mail user ID. The formula for e-mail addresses at MOSTARS and the Missouri Department of Higher Education is as follows:

USER ID?cbhe400@admin.mocbhe.gov

Please remember, you can also contact our MOSTARS Information Center at (800) 473-6757 or (573) 751-3940 with any questions.

MOSTARS Electronic Loan Counseling update

MOSTARS staff is in the process of finalizing the new MOSTARS Electronic Exit Counseling software. The exit counseling session will contain recent reauthorization changes and will be available for distribution on diskette and publication on the MOSTARS website.

MOSTARS staff will update the MOSTARS Electronic Entrance Counseling software pending guidance from the U.S. Department of Education.

Look in future issues of the ***MOSTARS*** newsletter for notices of software finalization and distribution. ★

FFELP News

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Reauthorization

of the Higher Education Act

The following briefly summarizes some of the provisions of the Higher Education Amendments of 1998 that the MSLP believes are self-implementing, pending an official interpretation from the USDE. Citations provided refer to the applicable section of the Higher Education Act of 1965, as amended by reauthorization changes. In all cases, participants should rely upon the statutory language to provide complete details regarding these amendments. NCHELP has incorporated the Higher Education Amendments of 1998 into the existing statutes so that participants may see the overall impact of statutory changes made to Title IV, Parts B (FFELP) and G (General Provisions) of the Higher Education Act. These are available in hard copy format, by request, from the MOSTARS Information Center.

FFELP News

Carolyn Brown
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Consolidation Loans

[428C(a)(4)] – Direct Loans are eligible for consolidation under the FFELP regardless of when the borrower's application was received by the lender. This provision was originally implemented under the Emergency Student Loan Consolidation Act, effective for consolidation loan applications received by the lender on or after 11/13/97.

[428C(b)(4)(C)(ii)] – FFELP Consolidation loans are eligible for interest benefits on the portion of the Consolidation Loan that repays subsidized Direct Stafford Loans, and subsidized Federal (FFELP) Stafford Loans. This provision was originally implemented by the Emergency Student Loan Consolidation Act for applications received by the lender on or after 11/13/97, and was extended by Reauthorization for applications received by the lender on or after 10/01/98.

Default Definition

[435(l)] – The number of days a borrower must be delinquent in order to be considered in default is increased to 270 days for loans payable in monthly installments, and 330 days for loans payable in less frequent installments. This change is effective according to statutes for loans on which the first day of delinquency occurs on or after 10/07/98. The MSLP has adopted an expanded triggering event for this change: loans on which the first day of delinquency on the oldest outstanding due date is on or after 10/07/98.

Delayed Delivery

[428G(b)(1)] – A school with a cohort default rate of less than 10 percent for each of the three most recent years for which data is available is exempt from the delayed delivery requirement for first-time, first-year Stafford Loan borrowers. Statutes apply this change effective for periods beginning on October 1, 1998 and ending on September 30, 2002.

Multiple Disbursement

[428G(a)(3)] – A school with a cohort default rate of less than 10 percent for each of the three most recent years for which data is available is exempt from the multiple disbursement requirement for loans made for periods of enrollment that are not more than one semester, quarter, trimester, or four months in length.

For further information, please see January's MOSTARS newsletter.

The MSLP has compiled a list of eligible Missouri schools to implement this new provision. Effective immediately, for these eligible schools, the MSLP will process single-disbursement loans that meet the aforementioned criteria.

continued on page 7

MOSTARS SFA Advisory Council notes

The MOSTARS Student Financial Aid Advisory Council met on December 17, 1998 at the MOSTARS office in Jefferson City. The Council received updates on various topics.

MOSTARS News
Beth Ziehmer
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The first areas of discussion were regarding the 1998 reauthorization of the Higher Education Act. Reauthorization topics included the Master Promissory Note, the Guarantor Financing Model, and single loan disbursements for schools with default rates less than 10 percent. Other loan topics included Year 2000 compliance; the new computer system (ATLAS) being developed by the MSLP servicer, GuaranTec; and the CLIPS application processing programs (CLIPS for Windows and e*CLIPS).

Beth Ziehmer, MOSTARS senior associate – operations, presented information on the Master Promissory Note (MPN) and processing issues related to implementing the MPN. Council members, as well as other clients, are welcome to present questions or issues to Beth for consideration. The MSLP servicer, GuaranTec, is working on system changes to accommodate the MPN. The MSLP presented an MPN training for schools and lenders on February 17 and 18, 1999 in Kansas City and St. Louis, respectively.

Karen Misjak, MOSTARS director, presented information on the Guarantor Financing Model. The MSLP will receive compensation for conducting various loan activities. As a result of the changes to the guaranty agency financing, the MSLP will be emphasizing collection activities, increasing default aversion activities, and monitoring expenditures.

Barbara Miller, MOSTARS senior associate – compliance, discussed the single-disbursement reauthorization change. Schools with a cohort default rate of less than 10 percent for the three most recent fiscal years for which data is available may make a single disbursement for periods of enrollment that are not greater than one quarter, semester, trimester, or four months. This provision is effective for loans made on or after October 1, 1998. The GuaranTec system will have an additional code available to indicate schools eligible for single disbursement. A work-around code may be used, upon school request, before the additional code is available.

Advisory Council forms new ad-hoc committees

As a result of the administrative process involved with the implementation of the three new state student assistance programs (Advantage Missouri Program, Bridge Scholarship, Missouri College Guarantee Program), MOSTARS staff presented a proposal to create three new statewide ad-hoc committees at the Dec. 17 MOSTARS Student Financial Aid Advisory Council meeting.

State Program News
Dan Peterson
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USER ID: danp

These new committees will work in partnership with MOSTARS staff as the new programs continue to be developed and implemented. The committees held their initial meeting in conjunction with the MASFAP Executive Board meeing on January 20 at the Lodge of the Four Seasons.

A list of the committees and the members involved is located on page 6. MOSTARS staff looks forward to working with our colleagues as these programs are implemented. ★

Keith Broadus, MOSTARS senior associate – technology, provided an overview of MOSTARS, Coordinating Board for Higher Education, and GuaranTec preparations for Year 2000 compliance. Keith also gave an update on the status of the CLIPS products. It is anticipated that the e*CLIPS (CLIPS on the Internet) product will incorporate the best features of the Windows product and the DOS product. E*CLIPS is still in the developmental stages with no anticipated completion date.

CariAnne Cutshall, coordinator – statistics, presented information on the new computer system (ATLAS) that GuaranTec is developing, in conjunction with guaranty agencies that contract with GuaranTec.

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Ad-hoc committees & members

Bridge Scholarship Program

Jeff Jochems – **co-chair** – Ozarks Technical Community College
Sue Neely – **co-chair** – Truman State University
John Bailey – Boone County National Bank
Joe Camille – University of Missouri-Columbia
Stan Eddy – Saint Louis University
Sharon Nelson – Columbia Area Career Center
Karen Walker – Southeast Missouri State University

Advantage Missouri Program

Ginny D'Angelo – **co-chair** – Commerce Bank of St. Louis
Michael VanderVelde – **co-chair** – Missouri College
Sue Armstrong – William Jewell College
Debbie Below – Jefferson College
Gail Buller – Mercantile Bank of St. Joseph
Billie Jo Hamilton – University of Missouri-Columbia
Sandra Thies – Hannibal Area Vocational Technical School
Jim Wyant – DeVry Institute of Technology

Missouri College Guarantee Program

Jon Gruett – **co-chair**
Webster University
Phil Shreves – **co-chair**
Central Missouri State University
Sandy Bolles
First Federal Bank, FSB
Jeff Ford
Three Rivers Community College
Kelly Ingram
Rolla Technical Institute
Russ Jeffrey
University of Missouri-Columbia
Melinda Wood
Truman State University

Advisory Council, from page 5

The new system is a relational database. Data is stored in only one table, allowing changes to be made more easily. There has been considerable discussion about what versions of CommonLine[SM] the new system will support. The majority of the MSLP clients are utilizing version 2. Clients will need to prepare for upgrading to version 4, upon release, to allow for processing the MPN. The system is scheduled for delivery on May 30, 1999.

Watch future issues of the MOSTARS newsletter for more information regarding the ATLAS system and possible implications for clients.

Dan Peterson, MOSTARS deputy director, discussed the new state programs. A draft of the administrative rule for the Advantage Missouri Program was distributed for comment. The MOSTARS Higher Education Savings Program, the Missouri College Guarantee Program, and the Bridge Scholarship Program were also discussed. Dan then led a discussion on the future of the advisory council. Ad-hoc committees were established from the existing council to assist in the development and implementation of the new programs. (See the related article on page 5.)

Dan also distributed background information on the Missouri Commission on the Affordability of Higher Education. The Commission will be conducting a one-year study and will make recommendations at the 1999 Governor's Conference on Higher Education.

Karen concluded the meeting by presenting ATOM statistics. ★

Reauthorization from page 4

Procedures for Cancelation and Deferment for Disabled Veterans

[Conference Bill Section 483B, no HEA cite] – No later than six months after the date of enactment (10/07/98), the Department of Education and the Department of Veterans Affairs shall report to Congress on progress made in developing and implementing a procedure to permit Department of Veterans Affairs physicians to provide certifications and affidavits needed to document a veteran's eligibility for cancelation and deferment of Title IV loans.

Exit Counseling

[485(a)] – Effective 10/01/98, statutory amendments strike the requirement for exit counseling to be conducted individually or in groups, and specifically authorizes schools to provide electronic exit counseling. Prior to the enactment of the Higher Education Amendments of 1998, the USDE clarified that schools were permitted to provide exit counseling by electronic means.

Experimental Sites

[487A(b)] – The USDE may continue any experimental sites already in existence on the date of enactment (10/07/98), through June 30, 1999.

Extended Repayment Plan

[428(b)(9)(iv)] – Effective for new borrowers on or after 10/07/98, a new, extended repayment plan is established. A borrower who accumulates more than $30,000 in FFELP debt may make fixed annual or graduated payments over an extended period of time, not to exceed 25 years. The borrower shall repay a minimum annual amount required under 428(1)(L)(i), and the borrower's payment amount must at least be equal to the amount of interest due [see 428(1)(L)(i)].

Financial Liability for School Owners

[498(e)(6)] – Any individual who exercises substantial control over a school that participates in Title IV programs, who is required to pay a refund of unearned institutional charges to a lender (or to the USDE) and who willfully fails to do so or willfully attempts to evade payment shall be liable to the USDE for the amount of the refund to the same extent that such an individual would be liable for a penalty under the Internal Revenue Code with respect to nonpayment of taxes. This change is effective for unpaid refunds that were first required to be paid to a lender or to the USDE on or after 90 days after the date of enactment (10/07/98).

Interest Rates – Consolidation Loans

Non-HEAL portion: Effective for applications received by the consolidating lender on or after October 1, 1998, the fixed interest rate is equal to the weighted average of the interest rates on the non-HEAL loans being consolidated, rounded to the nearest higher 1/8th of 1 percent, and capped at 8.25 percent.

HEAL portion: The variable interest rate is based on the average of the bond equivalent rates of the 91-day Treasury bills auctioned for the quarter ending June 30, plus 3.0 percent. The rate is adjusted annually, and no cap applies. This separate, variable interest rate formula for the portion of the Consolidation Loan that repays HEAL program funds was originally implemented for consolidation applications received by the lender on or after 11/13/97.

Interest Rates – PLUS Loans

The variable interest rate is based on the 91-day T-bill auctioned at the final auction prior to June 1, plus 3.10 percent. The rate is adjusted annually, and is capped at 9.0 percent. The PLUS loan interest rate formula was originally implemented for loans first disbursed on or after July 1, 1998.

Interest Rates – Stafford Loans

The variable interest rate is based on the 91-day Treasury bill auctioned at the final auction prior to June 1, plus 2.3 percent, except that the rate during in-school, grace and deferment periods is the 91-day T-bill plus 1.7 percent. The rate is adjusted annually, and is capped at 8.25 percent. The Stafford Loan interest rate formula was originally implemented for loans first disbursed on or after July 1, 1998.

Leave of Absence

If a student takes a leave of absence for not more than a total of 180 days in any 12-month period, the student is not considered to have withdrawn from the institution if the school has a formal policy regarding leaves of absence, the student followed the school's policy in requesting a leave of absence, and the school approved the student's request in accordance with the school's policy.

This change is effective two years after the date of enactment of the Higher Education Amendments of 1998 (10/07/98), except that a school may implement earlier.

Negotiated Rulemaking

All regulations pertaining to Title IV that are promulgated after the date of enactment (10/07/98) shall be subject to negotiated rulemaking, unless the Department determines that applying such a requirement is impracticable, unnecessary, or contrary to the public interest and publishes the basis for such a determination in the Federal Register at the time the regulations in question are first published. All published proposed regulations shall conform to agreements resulting from such negotiated rulemaking unless the Department reopens the negotiated rulemaking process or provides a written explanation to the participants in that process.

NSLDS Access by Borrowers

Borrowers shall be permitted to use NSLDS to identify the current loan holders and servicers of the borrower's loan not later than one year after the date of enactment (10/07/98).

Reinsurance Payments

Effective for loans with a first disbursement made on or after

continued on page 8

Reauthorization from page 7

October 1, 1998, reinsurance paid to the guarantor on a defaulted loan is reduced from 98 percent to 95 percent. (**Note:** there was *no* change to the insurance percentage paid to a lender on a defaulted loan.)

Special Allowance – Consolidation Loans

Effective for applications received by the consolidating lender on or after October 1, 1998, during periods in which Consolidation Loans are eligible for special allowance*, the rate is determined by the following computation:

$$\frac{\left(\text{the average bond equivalent rate of the 91-day Treasury bills auctioned for the quarter} + \text{a factor of 3.10 percent} - \text{the applicable interest rate of the loan}\right)}{4}$$

*A Consolidation Loan is eligible for special allowance only if the sum of the average bond equivalent rate of 91-day Treasury bills auctioned for the quarter plus 3.10 percent exceeds the interest rate of the loan.

Special Allowance – PLUS Loans

During periods in which PLUS loans are eligible for special allowance,* the rate is determined by the following computation:

$$\frac{\left(\text{the average bond equivalent rate of the 91-day Treasury bills auctioned for the quarter} + \text{a factor of 3.10 percent} - \text{the applicable interest rate of the loan}\right)}{4}$$

The PLUS loan special allowance provisions were originally implemented for loans first disbursed on or after July 1, 1998.

*A PLUS loan is eligible for special allowance only if the interest rate, as determined by adding the bond equivalent rate of the 91-day Treasury bill auctioned at the final auction prior to June 1 and 3.1 percent, exceeds the statutory maximum of 9.0 percent.

Special Allowance – Stafford Loans

Except during in-school, grace and deferment periods, the special allowance rate is determined by the following computation:

$$\frac{\left(\text{the average bond equivalent rate of the 91-day Treasury bills auctioned for the quarter} + \text{a factor of 2.8 percent} - \text{the applicable interest rate of the loan}\right)}{4}$$

During in-school, grace and deferment periods, the special allowance rate is determined by the following computation:

$$\frac{\left(\text{the average bond equivalent rate of the 91-day Treasury bills auctioned for the quarter} + \text{a factor of 2.2 percent} - \text{the applicable interest rate of the loan}\right)}{4}$$

The Stafford Loan special allowance provisions were originally implemented for loans first disbursed on or after July 1, 1998.

Suspension of Eligibility for Drug-Related Offenses

Effective for periods of enrollment beginning on or after 10/07/98, eligibility for any Title IV grant, loan or work assistance is suspended for any student convicted of a state or federal offense involving the possession or sale of a controlled substance. Suspension of eligibility begins on the date of conviction. The length of the ineligible period is determined as indicated below.

Possession of a controlled substance:

1st offense	ineligible for one year
2nd offense	ineligible for two years
3rd offense	ineligible indefinitely

Sale of a controlled substance:

1st offense	ineligible for two years
2nd offense	ineligible indefinitely ★

NOTICE: Under the "Late Disbursement Policy Change" topic in the final **FFELPfacts** Newsletter Index you recently received, please add an article published in the August 1998 newsletter.

Changes to the Eligible Lender List

For those clients who utilize the MSLP Combined Eligible Lender List, please make note of the following changes. New lists are printed upon request so your list may already have these changes. Please refer to the effective date of the changes and compare them to the date listed at the bottom left-hand corner of your list to determine whether or not you should pencil in these changes.

Additions

Educational Employees Credit Union %MOHELA, 826986-01
Participation Categories: PLUS and PLUS Preapproval
Added February 2, 1999

FNB Chicago as Trustee for EFG-I, LP, OE 833585-00
Participation Categories: Subsidized, Unsubsidized, PLUS
Added January 5, 1999

Changes

Callaway Bank (The), OE 806779-00 & -50
New Name: Callaway Bank (The) c/o MOHELA
Changes made December 22, 1998

Educational Employees Credit Union, %MOHELA, 826986-00
Add PLUS Preapproval as a participation category
Change made February 2, 1999

Educational Employees Credit Union, 826986-51
Add PLUS Preapproval as a participation category
Change made February 2, 1999

Federal Employees Credit Union c/o MOHELA, OE 819661-00 & -50
New Name: Mazuma Credit Union c/o MOHELA
Changes made December 15, 1998

Texas Commerce Bank, Trustee for SELMC c/o AFSA, OE 832919-00
New Name: Chase Bank of Texas, Trustee for SELMC c/o AFSA
Change made December 14, 1998

Texas Commerce Bank, Trustee for SELMC c/o UNIPAC, OE 833174-00
New Name: Chase Bank of Texas, Trustee for SELMC c/o UNIPAC
Change made December 14, 1998

Participation Lists

CariAnne Cutshall
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(573) 751-3940
USER ID: ccutshal

If you would like to order an MSLP Combined Eligible Lender List, call the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.

Please refer to the August 1998 *FFELPfacts* for more information. You may also view a sample of the list in the October 1998 issue of *MOSTARS*.

We anticipate adding a version of this list to our MOSTARS Website for immediate client access. Look for additional changes and for a notice of Website availability in future issues of the *MOSTARS* newsletter. ★

ATOM reaches another milestone

The Missouri Student Loan Program's (MSLP) Automated Transfer of Money (ATOM) program recently eclipsed its previous benchmark for single-day disbursement volume.

ATOM News

Keith Broadus
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USER ID:
kbroadus

On Wednesday, December 30, 1998, ATOM processed 7,143 disbursements, totaling more than $13.3 million that day. This exceeded ATOM's previous record by $1.2 million.

MOSTARS' data processing staff and client service representatives share in this accomplishment with their efforts to automate the ATOM system and to persuade more schools and lenders to particpate with ATOM. Congratulations, ATOM! ★

Benchmarks

Biggest Volume Day:
Wednesday, December 30, 1998
7,143 Disbursements
$13,350,982.87

Biggest Check Day:
Monday, December 29, 1997
1,143 Checks
More Than $1.9 Million

The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, please contact our MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired may call (800) 735-2966.

MO STARS

Coordinating Board for Higher Education
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FIRST CLASS

MOSTARS, a division of the Coordinating Board for Higher Education (CBHE), publishes this newsletter to inform Missouri's financial aid community of current issues concerning the Missouri Student Loan Program and the Missouri Grant & Scholarship Programs.

Dr. Ray Henry ....CBHE Chairman
Dr. Kala M. Stroup........................Commissioner of Higher Education
Karen Misjak ....MOSTARS Director